How To Flip A House: A Complete Guide For Beginners

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To get started flipping houses, you need to grow your understanding of real estate investing. While popular TV shows make house flipping look like a simple process, they're showing you a small piece of the process. So much of the work that goes into flipping a house is about managing variables.

The more you're prepared for your first flip, the more likely you are to profit. Beginners will need to start with building their knowledge of neighborhoods, learning about home repairs and renovation, and networking with investors, contractors and designers.

What Does It Mean To Flip A Home?

Flipping is the act of buying a house (often in poor condition), taking on the repairs and renovations, then quickly selling the refurbished home for a profit.

House flipping has become a profitable industry for many, and a dream for even more. With real estate knowledge, funding and the remodeling ability, you could flip a house too. Read on to learn how to get started as a first-time house flipper.

What's your goal?

Get Started

How To Start Flipping Houses

To successfully flip a house, you need to take a few steps outside of the normal procedure of buying and selling a house.

1. Research The Market

The first step toward serious house flipping is knowing the housing market. You aren't going to know a good deal in an up-and-coming neighborhood without having a thorough understanding of the area first.

Begin by researching the real estate market. Learn where people want to live and determine any popular housing trends. You should partner up with a **real estate agent or REALTOR®** to do this – they'll help you understand market conditions, determine all necessary repairs and help time the sale.

In fact, many professional home flippers are **licensed real estate agents**. This shouldn't come as a surprise – if you're interested in house flipping full-time, you need to know the ins and outs of real estate. You should be comfortable with the process of buying and selling a home, and the juggling it requires.

2. Understand Neighborhood Rankings

It's also important to become familiar with the class ranking system that real estate investors use for neighborhoods, from Class A to Class D:

- **Class A neighborhoods:** Top of the market, with the highest real estate prices.
- **Class B and Class C neighborhoods:** Middle-class and working-class neighborhoods.
- **Class D neighborhoods:** Areas with the lowest-income housing.

For your first flip, choose Class B and Class C neighborhoods. They're more affordable and move faster than the high-end homes in Class A, and they typically don't require as much renovation as homes in Class D.

When you're working with a real estate agent who knows the area, you can pinpoint neighborhoods that have potential for your investment strategy. Maybe a Class C neighborhood is about to get a big investment from the city, or a major employer or a university is growing nearby. Knowing about these outside factors ahead of time can create an opportunity for you to profit.

3. Secure Your Finances

Before you even consider a purchase, you'll want to know how much money you need to flip a house. If possible, **purchase the property in cash**. This will save you from accruing debt and paying interest on the house before it sells.

If you don't have the cash laying around to outright buy a house, you could consider pooling money with friends and family to buy it. There are also some crowdfunding sites, like FundThatFlip.com, that offer ways for you to get your flip funded by investors.

There are **other ways to finance your flip** as well. Keep in mind that most mortgage products aren't offered for house flipping. Banks typically aren't interested in getting into the risky business of house flipping. You're going to have to finance your flip another way.

How much to flip a home varies depending on the type of financing you secure, but here are a few ways to finance your purchase:

- **Cash-out refinance**: A **cash-out refinance** could be an option if your primary home has increased in value. With a cash-out refinance, you'll take out the equity in your current mortgage and refinance to what you still owe.
- **Home equity line of credit (HELOC)**: A **HELOC** is a loan that uses the equity in your home as collateral.

- **Hard money loan**: A hard money loan is a short-term loan issued by a private lender. Hard money lenders offer loans that range from 6 months to 1 year, have high interest rates and can require down payments up to 40%.

Along with the finances for the purchase of the home, you're going to need to pay for repairs and renovation. Make sure to budget for these expenses, as they can be the area that either tanks your flip or makes it profitable.

4. Get Expert Counsel

Before buying a house to flip, you need to know what you're getting into. Just like it helps to have knowledge in real estate markets, knowing what repairs are necessary on a house and how much they cost will help you make a smart investment. After all, houses you purchase to flip are investment properties.

It's a good idea to network with other real estate investors and talk shop. Consult your real estate agent on connections to experienced contractors and reliable inspectors. If you're handy, find out what upgrades you can take on yourself – but be aware enough of when you'd be in over your head.

Along with budgeting money for repairs, you'll need to budget time. This is especially the case if you're taking out a loan to buy the home. Every day that you don't sell the home, you're having to pay more money in interest, insurance and taxes.

You should be prepared in case something goes wrong or takes longer than planned. Not only do repairs take time, but your schedule and those of your contractor or **home inspector** may not align perfectly. Delays like failed home inspections can cost you serious money.

5. Find And Buy A House

After you've researched the market, secured the financing and are confident you're going to make a smart investment, it's time to find and **make an offer on a house**. Have your numbers worked out ahead of time with some wiggle room for the purchase price.

Once you find the right property at the right price, you need to pounce. Put your money down on a place you believe in. You can't start working on it until you close on it, and you can't close on it until your offer has been accepted.

Depending on who you're buying from, closing can happen fast – or it can take months. If you're buying from a bank, it's likely ready to close as soon as possible. But if you're buying from a resident, closing may be contingent on them finding a new home.

It's best to have contractors at the ready to start renovations as soon as the house closes. The quicker you get the work done, the quicker you can put the house back on the market.

6. Sell For A Profit

This is why you wanted to flip in the first place: you saw an opportunity to profit. Once the repairs and remodeling are done, it's time to **sell the house** and reap the paycheck for all your hard work.

- Give your house a competitive sale price for potential buyers.
- Hire a real estate agent who knows the market and how to sell your home.
- Make note of comparable house sales in the area, and what makes your house different.
- Be aware of how long similar houses tend to stay on the market before sale.

Selling the house you're flipping is what makes the whole process worth it. It's what you've sunk all the time and money into. Forecasting the timing and cost of the flip is what's going to determine your profit.

How Much Does It Cost To Flip A House?

The cost of flipping a home varies greatly from house to house. A lower-priced home in a popular neighborhood could be a steal, but if it needs a lot of work as a fixer-upper, your profit margin could be slim. On the other hand, what you see as a bargain in a growing neighborhood may not need much work, but if the market's not as hot, you could be sitting on the property for longer than you want.

You must estimate and account for a lot of factors when looking for a house to flip. Experienced house flippers abide by a 70% rule to determine if a house is a good investment. To calculate the 70% rule, follow these four steps:

1. **Estimate the house's after-repair value (ARV)**. Determine what you could sell the house for after repairing and renovating it.

2. **Estimate the cost of the necessary repairs**. Does the home need a new furnace? Is the kitchen cabinetry outdated and damaged? When you evaluate the home, be aware of everything that will need to be repaired or renovated and make an accurate estimate for the cost.
3. **Take 70% of the ARV and subtract the cost of repairs**. For example, say a house's ARV is $200,000. Multiply it by 0.7 to get 70%, or $140,000. Now take that $140,000 and subtract the cost of repairs. For this example, we'll say total repairs and renovation cost $30,000.
4. **Use the result to determine the maximum you should pay for a house**. If 70% of your ARV is $140,000 and it costs $30,000 to complete the repairs, you shouldn't pay more than $110,000 for the house.

How Long Does It Take To Flip A House?

When deciding whether flipping a house is the best option for you, it's imperative to know how long it takes. How quickly your home flips will affect the amount of your profit. According to **Attom**, it takes approximately 6 months to flip a house, but it's essential to understand the factors that determine this, which can also help speed up the process.

Buying The Property

The time it takes to purchase a house can vary, but if you find a marketable home, you should be able to buy it quickly. Some of the best properties for house flipping don't stay on the market long; therefore, it's best to remain vigilant and have a flexible schedule. Typically, **it takes a little over a month to buy a house** once you've found the right property and have put in a winning offer.

Renovating The House

Renovating a house fluctuates depending on the home. Some homes will require more work before you sell, whereas others only need a few minor improvements. The time it takes to fix house repairs will depend on the amount of work and what you want to do.

Renovations can take a few months if you plan to repair them yourself, whereas hiring professionals could speed up the process significantly.

Finalizing The Sale

Like renovating, the amount of time needed for home sales depends on how much work you do. When you sell your home by yourself, it takes a lot of time, likely a couple of months, because there's a lot of documentation to gather. Hiring a real estate agent will minimize your work, making it much more manageable.

The Bottom Line

Profitable house flipping comes from what you know. You need to know the market and the neighborhood, have your finances secured and understand how much you can spend. It's important to be aware of the repairs that need to be made, how much they're going to cost and how long it'll take to sell the house.

The quicker you get the house ready to sell, the more you will profit. You'll also want to price your flip competitively. The more offers you get in, the more you'll be able to get for the property.

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